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ABSTRACT

Teacher education programs of U.S. universities hold great potential for promoting new ways of thinking about the formation of a united Germany and its future role in Europe. These programs are important because they influence teacher candidates as to how they will teach about the New Europe. Three recommendations are offered to expand the understanding of the New Europe in the social studies curriculum to the benefit U.S. citizens. These recommendations include: teacher candidates should know and understand the unique historical contributions of East Germany, and Eastern Europe and Western Europe should be considered within the larger context of the New Europe and the world economic community. An 8-item list of sources are included, as are materials concerning the New Europe. (DB)

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ED 335272

Teaching About the New Europe and the New Germany in American Teacher Education Programs

by

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University of Wisconsin-LaCrosse

for

the conference

"The New Europe and the New Germany in US Classrooms"

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The ancient Greek thinker Heraclitus once said that a person could not step into the same river twice. The omnipresent condition of change is one particular aspect of human culture that continues to challenge, perplex and invigorate our discussions about what pupils in schools should or should not know about the world. Recent and ongoing changes in the economic, political and social systems of Europe remind us that many of the assumptions held by American educators and politicians about the culture of that continent demand serious reexamination. No longer can curriculum writers, for example, deal with Europe as a Cold War camp pitting two ideological forces under the banners of NATO or the Warsaw Pact. Our assumptions about the nature of democracy framed in school curriculum should also come under scrutiny as the process of formation continues for the New Europe. The difficult paths followed by several countries in Eastern Europe for the purpose of melding market economics with democratic political systems raise the important conclusion that the United States does not possess the only viable model for democratic government.

The formation of a united Germany and its future role in Europe 1992 should also call into question fundamental concerns about how American universities prepare future teacher candidates for subsequent instruction about the New Europe. It is in the American teacher education programs that future teachers gain certification in their field of teaching as well as their first

concentrated experience in the profession through student teaching, a kind of apprenticeship under the guidance of an experienced cooperating teacher in the field. As a prelude to student teaching, candidates complete an academic major, a core of basic studies and a cluster of education courses. The two areas where American university students gain formal knowledge about Europe stems primarily from a combination of courses (depending on the choice of major) in history, geography, anthropology, political science, psychology, sociology and economics. The didactical aspects of planning and teaching lessons in the history and social sciences are addressed in a methods course taken the semester before student teaching. This is but a general description of the tradition established in the American university teacher education program for those students who eventually become the major instructional conduits on European history and culture for pupils in American schools. This university tradition, highly organized under the broad umbrella of state teacher certification systems, holds great potential as a catalyst for promoting new ways of thinking about the New Germany and the New Europe. Like any other manner of preparing teachers for the next generation of pupils, it also holds its own drawbacks.

Much of my experience with students as a methods professor in the course on the teaching of history and social sciences at a

state university in Wisconsin brought me into contact with a series of weaknesses in the formation of future social studies teachers, especially in regard to European culture and history. Some of the most poignant lessons on the way we prepare teachers came to me from people outside the United States who were willing to challenge my own assumptions about the nature of teaching. In 1984, I had the good fortune to visit Lubow, the ancestral village of my family in Pommerania which became part of Poland after the fall of the Third Reich. During my stay, I was introduced me to the owner of the local meat market by one of the few German-speaking persons left in the village. The real intention of this meeting was clarified soon after the owner closed her shop and invited us to her adjoining apartment for tea. She told me that her son was a secondary school history teacher in the next village and that she was quite interested to meet a history teacher from the United States. The question of what historical legacy should be left to the young was one which obviously fascinated her, a survivor of two death camps under the Nazis. She unfurled a huge map of eastern Europe which hung on one of the walls of her apartment. For the next two hours, she delivered a most engaging lecture on the history of Poland and Eastern Europe. When she finished speaking, I asked her why she took the time to speak to me, an outsider to her village, about these concerns. The fact that I came to her as a teacher made a

significant difference. She assumed that most young people in the United States knew little or nothing about Eastern Europe since very little was taught about this part of the world in the American school curriculum. These words were spoken seven years ago, but the assumption supporting them still remains largely correct.

This story emphasizes the position that any serious curriculum consideration of the New Europe must indeed take into account not only the burgeoning economic and political power of Central and Western Europe. The error of omitting the equally important developments from the history and culture of Eastern Europe from the curriculum should be avoided as we approach Europe 1992 and proceed toward a new millennia. Attempting to strike some kind of balance in social studies textbooks on Eastern and Western Europe, assumed to be one of the central concerns of this conference, will be a most daunting task. The task is made all the more difficult if the teacher-training institutions for social studies in the United States remain too narrow in their perspective of the New Europe.

To expand the understanding of the New Europe in the social studies curriculum for the benefit of future American citizens, a number of recommendations are offered:

1. Many of my own students bring to their university studies a narrow and truncated perspective on modern German

history centered on the Great Man Theory of history and circumscribed by the personalities of Bismarck and Hitler. The deeds and times of these people represent some of the most persistent questions regarding the relationship between the individual and the state. These periods are critical to a study of German history and culture but they should not be framed in such a way to give students and teachers the illusion that they are the whole of the German experience. The post-war period, for example, is still one of the most neglected in high school instruction on Germany even though textbooks have made noticeable improvements on the quality of coverage. **Therefore, persistent questions of the German past reflected in Bismarck's Blood and Iron policy, as well as the legacy of Hitler and the Holocaust, should be presented in both German and European cultural contexts.**

2. People who prepare for teaching young pupils about the New Germany and the New Europe should know and understand **the unique historical contributions of East Germany** made to the larger history of Germany. The demise of Marxism-Leninism in East Germany and the subsequent unification process may lead some educators to "write off" as unimportant the historical and cultural developments in that country during the Cold War era from 1945 to 1989. This kind of historical amnesia might cause the unfortunate development of a one-sided or parallel false

unification of historical interpretations of Germany's recent past. Related to this challenge in writing curriculum for the social studies are ongoing questions that remain unresolved as the unification process continues: How will the collapse of the East German state effect the subsequent formation of the history curriculum for the New Germany and the New Europe? What heroes in German history will be sanctioned? Will the heroes of the Red Underground and their contributions leading to the demise of Nazism be remembered along with those of the White Rose and the Stauffenberg Circle? During my last visit to the eastern sector of Berlin last March, I noted that several subway stations bore the names of such figures as Ernst Thaelmann and Rosa Luxembourg. Will these signs of Germany's past be replaced? Will students and teachers gain any sense of the great conflict over historical interpretations about Germany's past? For example, will the Marxist-Leninist thesis from East Germany and the Soviet Union claiming the important role of monopoly capitalism in the rise of Hitler be included along with other Western theses? This returns us back to the disturbing notion that what we actually teach in social studies programs can all too easily oversimplify some very complicated historical questions (Wisconsin Department of Public Instruction, 1996, p. 28).

3. A serious consideration of **Eastern Europe and Western Europe within the larger context of the New Europe and the world**

economic community, as discussed earlier, is another recommendation that demands serious attention. The interrelationship of geography, economics and history will be critical to this kind of approach to curriculum writing for not only Eastern and Western Europe, but in teaching about any region or country in the world (Tucker and Cistone, January-February, 1991, pp. 3-10). Two teaching samples are included in the appendix to demonstrate how integrative teaching strategies might be included in textbooks written for US classrooms. The first example comes from the Minnesota Geography Alliance and an article included in Update (May, 1990), an organ of the National Geographic Society's program on geography education. Even though this edition is already one year old and still shows East Germany as a separate political entity, the teaching model inherent to the material is worth our serious attention. The lesson plan on the geography of Eastern Europe offers pupils a number of approaches to understanding population density, distances between major cities and the development of bar graphs on populations of Eastern European countries based on age and sex. Both East and West Germany are also included in the statistical tables for aid in a comparison of data. Note the variety of interpretive questions drawn from these social statistics:

a. "Do the populations of these countries contain a large number of school-age children?

b. What countries have a wide base, which would indicate a high birth rate?

c. Which countries have the lowest percentage of men over 65? What could account for this?

d. What two countries are likely to decline in population?

e. What characteristics are shared by all graphs?"

Using a map of Eastern Europe and a series of pie charts on population and GNP, students are asked to consider why the Eastern European labor force is in agriculture and to explore ties between the percentage of the labor force in agriculture and GNP per capita. Languages and religions in Eastern Europe also come under consideration. After pupils use the map to determine patterns of religion and language, they are asked to offer possible reasons why there are so many languages in this region while so few are spoken in the United States. This kind of integrative teaching would not detract from the study of history. On the contrary, a study of the geographical and economic conditions of the New Europe would enhance a pupil's understanding of history as interrelated elements of past and present human activities.

The last teaching samples center more specifically on the economics of Eastern Europe taken from The Senior Economist. John Strudwick formed a lesson which compared command and market systems using incentives and government intervention as unifying concepts. His students eventually analyzed a joint venture

proposal in Hungary using a role play activity. (See Appendix). The lesson was built on some careful preparation involving an examination of the Stalinist legacy for a centrally planned economy, differences between government and market economic directives and various concepts of ownership under the two systems. From this lesson, pupils could gain a better understanding of the investment and trade options open to Western governments (Strudwick, 1991, pp. 8-9). In the same issue, Karen Owens and Cheryl Jennings provide "an analysis of Poland" which examines the Polish economy, an issue very mysterious to American high school pupils and the public at large. Here again, in an integrative sense, these authors draw a relationship between the geographic significance of Poland and the characteristics of its economy. Using maps and data collections, pupils draw a contrast between the economies of the United States and Poland. The biggest challenge presented to pupils in this lesson comes in the form of an economic riddle:

> Many people in Eastern Europe and the Soviet Union spend hours waiting in lines to buy simple, commonplace goods like meat, bread and shoes. It takes visits to many stores, long waits in lines, and good fortune to find what is wanted. Yet, these countries have well-educated populations and abundant natural resources. Why, then, are there lines in Poland? (Owens and Jennings, 1991, pp. 10-11).

Conclusion

This conference is held for the purpose of sharing ideas on teaching and curriculum regarding the New Germany and the New Europe. It is argued here that the ideas presented above should become part of how American Colleges of Education prepare future history and social studies educators. In a parallel sense, it is hoped that the recommendations might also be on the minds of German curriculum writers as the New Germany proceeds with plans for the formation of a new history curriculum.

The heated debate over Eurocentrism and the recent curriculum reform for liberal studies introduced by Stanford University should force all teacher educators to reexamine their assumptions about what it means to be an educated person. E.D. Hirsch's recommendations in his Cultural Literacy: What Every American Needs to Know (1987) proposes a narrow and ethnocentric purpose for education. It is also one which fails to prepare pupils and teachers for life in the next century. Similarly, curriculums on the New Europe and the New Germany for American universities in history, political science, geography and economics as well as methods courses in the social studies must not fall into an even more extreme form of Eurocentrism which inadvertently denies the importance of Eastern European history and culture while overly emphasizing Central or Western Europe.

Social studies education in the United States has its own curious legacy of omission in this regard. L.S. Stavrianos, a noted global historian, left us an appropriate direction which demands further investigation. He observed that history begins with questions framed by the present (Stavrianos, 1989, p. 21). The Socratic process is never ending and remains unavoidable if universities and secondary school are serious about preserving any real legacy from the Liberal Arts. The questions stand as perennial signposts for each generation of teachers and pupils: **Whose conceptions of history for the New Germany and the New Europe should be preserved and examined? What knowledge and understanding about the past and present of the New Europe are worth preserving?**

SOURCES

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Merryfield, Merry. (January-February, 1991). "Preparing American secondary school teachers to teach with a global perspective: A status report." Journal of Teacher Education 42: 11-20.

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Geography Education Fall 1990

UPDATE

The Berlin Wall is history, borders will change, and teachers are challenged to explain what all this means for the lands from the Baltic to Bulgaria. See lesson plan, "The Geography of Eastern Europe," on page 8, and supplement map Eastern Europe Today.

Photograph by David Alan Harvey

◆

East Berliners rejoice with triumphant smiles and tears of joy as the air of freedom blows through Berlin. After 28 years of separation, East and West Germans together face the challenges of change.

◆

National Geographic Society Geography Education Program Washington, D. C. 20036 (202) 775-6701

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Geography Lesson Plan

The Geography of Eastern Europe

Activities by Minnesota Geographic Alliance Coordinators David A. Lanegran and Patrice H. St. Peter, Macalester College, St. Paul

Educators are encouraged to reproduce UPDATE activities and outline maps for classroom use.

Sweeping political and social changes in Europe are forcing educators to rethink the way they present the geography of Europe to students. These lessons suggest ways to address the geopolitical, demographic, and economic changes in Europe.

Objectives

- To strengthen map skills
- To learn about the tapestry of ethnic groups that occupy Eastern Europe
- To analyze geographic changes in population by constructing and using population pyramids

Recommended Teaching Level

Secondary, but some activities may be adapted for upper elementary grades.

Materials

Graph paper

A copy of the map of Europe (page 12) and the Population Data chart (page 11) for each student

Eastern Europe Today (April 1990 NATIONAL GEOGRAPHIC magazine map supplement)

Background Materials

"Germany: Toward Unity," *Time*, July 9, 1990: pp. 66–90.

Goode's World Atlas. 18th ed. Chicago: Rand McNally, 1990.

Hoffman, George, ed. *Europe in the 1990s: A Geographic Analysis*. New York: Wiley, 1989.

Kidron, Michael, and Ronald Segal. *The New State of the World Atlas*. 2nd ed. New York: Simon & Schuster, 1987.

"Population Prospects for a Unified Germany," *Population Today*, April 1990: p. 4.

"Spotlight: Albania," *Population Today*, October 1989: p. 12.

"Spotlight: Hungary," *Population Today*, January 1989: p. 12.

Vesilind, Priit J., "Berlin's Ode to Joy," NATIONAL GEOGRAPHIC, April 1990: pp. 104–132.

"The Wall, 1961–1989: Special Report," *Newsweek*, November 20, 1989: pp. 24–49.

Lesson 1: Where Is Eastern Europe?

This lesson focuses on the changing political geography of the area between the Soviet Union and the nations of Western Europe. The lesson begins with an activity to familiarize students with place-names. The second activity is a map-reading lesson based on the map Eastern Europe Today.

Class Activities

1. Have students shade and name the countries of Eastern Europe on their outline maps of Europe.

2. Post the map Eastern Europe Today.

a) Have students note and discuss the relative sizes of the countries.

b) Use the scale to determine the distances between these cities, and estimate driving and flying times between them:

—Berlin and Warsaw
—Gdansk and Krakow
—Budapest and Sophia
—Prague and Belgrade

c) Use the population data and area data on the map to determine the population density (persons per square mile) of each country. Use the following formula:

$$\frac{\text{population}}{\text{country area (square miles)}} = \text{population density}$$

For example, East Germany would be:

$$\frac{16{,}500{,}000}{41{,}828} = 394.47, \text{ or } 394 \text{ persons/sq mi}$$

Ask students to figure out which countries have the greatest area, the largest population, the highest population density, the lowest population density. Have students compare the area, population, and population density of their own state with those of the Eastern European countries.

d) Have students study the pie charts on the map and compare the percent of the population that makes up the agricultural labor force in these Eastern European countries with the four Western European examples.

—Discuss with students why such a large percentage of the Eastern European labor force is in agriculture. Is Eastern European agriculture likely to be more mechanized or less mechanized than Western European agriculture? Ask the students to predict whether this pattern will change.

—Have students study the Gross National Product graphs on the map. Do they see any tie between the percent of labor force in agriculture and the GNP per capita? Which region—Western or Eastern Europe—has a higher GNP?

e) Have students use the charts on the map to locate the major ethnic groups in Eastern Europe.

—Discuss possible reasons why there are Germans living in western Poland.

—Discuss which countries have the most homogeneous, and the least homogeneous, makeup. What might have contributed to that?

f) Have students use the map to determine patterns of religion and language in the region. How many languages are spoken in Eastern Europe? What are some possible reasons for the occurrence of so many languages in this region while so few are spoken in the United States?

g) If any students in the class are of Eastern European descent, ask them to share aspects of their family history and culture with the rest of the class. When did their families emigrate? Why did they emigrate?

h) Point out to students that the Baltic States are highlighted on the map, even though they are not separate countries, but republics of the U.S.S.R. Ask students why they think the map was designed this way.

Lesson 2: The Population Geography of Eastern Europe

Population bar graphs (often called population pyramids) are used to show the composition of a population. The graphs show a concise breakdown of a population by age and sex. Geographers use population graphs to help them understand the history of a people. The graphs indicate birth and death rates, and can show the impact of war and economic difficulties on nations.

In this lesson, students will construct and analyze population graphs for the Eastern European countries. They will also use the graphs to make predictions about the future of the populations of these countries.

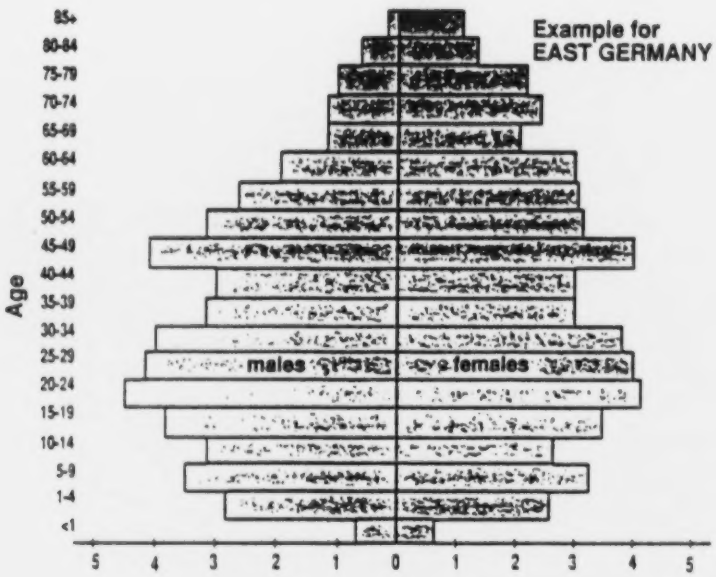
Class Activities

Using the population data (on page 11) and graph paper, make population graphs for each Eastern European country (data for Albania are not available). Have students follow these steps:

1. Draw a baseline for the bottom of the graph. Mark the center of the baseline with a 0. Then mark the line 1 through 5 in each direction.

Geography Lesson Plan *(Continued)*

The Geography of Eastern Europe



making the numerals two squares apart. This baseline is the scale for measuring the percent of persons in a particular age group. (See example above.)

2. Draw a vertical line at the 0 mark. Label the graph so that this line divides the population into males (on the left) and females (on the right).

3. The vertical line that divides the graph in half is also the scale for the age structure of the population. This scale divides the population by age (<1, 1–4, 5–9, and so on). Label the vertical axis scale by marking off the age categories given on the Population Data chart.

4. Using the population data, draw one horizontal bar for the percent of males and one horizontal bar for the percent of females in each of the age categories on the vertical scale. For an example, see the illustration above.

5. Label the population graph. Identify the country represented and the source and date of your data.

Graph source: David A. Lanegran; adapted by Joanne DeGiorgio, NGS Staff

❖ When students have completed their population graphs, ask the following series of questions to help them understand how population graphs can be used to understand more about the geography of a country.

1. What countries have a wide base, which would indicate high birth rate?

2. Do any of the population graphs indicate that the percent of the population over 65 will increase in the near future? If so, what will that mean for the future of that country? Does a large older population have any special needs?

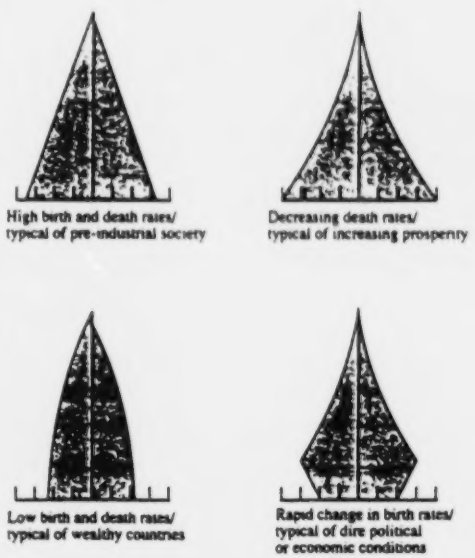
3. Do the populations of these countries contain a large number of school-age children?

4. Which countries have the lowest percent of men over 65? What could account for this?

5. Which two countries are most likely to decline in population?

6. What country is most likely to increase in population?

7. What characteristics are shared by all the graphs?


High birth and death rates/
typical of pre-industrial society
Decreasing death rates/
typical of increasing prosperity
Low birth and death rates/
typical of wealthy countries
Rapid change in birth rates/
typical of dire political
or economic conditions

Sample Shapes for Population Graphs

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Population Data*

Age	Sex	Bulgaria	Czechoslovakia	East Germany	West Germany	Hungary	Poland	Romania	Yugoslavia
<1	M	3.3	0.7	0.7	0.5	0.6	0.9	0.8	0.8
	F	3.2	0.7	0.7	0.5	0.6	0.9	0.8	0.8
1–4	M	3.3	3.1	2.9	2.0	2.6	3.8	3.1	3.2
	F	3.2	3.0	2.7	1.9	2.5	3.6	3.0	3.0
5–9	M	3.7	4.6	3.5	2.4	4.1	4.5	4.6	4.1
	F	3.6	4.4	3.4	2.3	3.9	4.3	4.4	3.9
10–14	M	3.9	4.3	3.1	2.6	4.2	4.0	4.4	4.0
	F	3.5	4.1	2.8	2.5	4.0	3.9	4.2	3.8
15–19	M	3.5	3.6	3.8	3.9	3.7	3.5	4.6	4.0
	F	3.3	3.4	3.6	3.7	3.5	3.3	4.4	3.8
20–24	M	3.4	3.7	4.5	4.5	3.2	3.7	3.2	4.1
	F	3.3	3.5	4.2	4.2	3.0	3.5	3.1	3.9
25–29	M	3.5	3.8	4.2	4.1	3.7	4.4	4.0	4.1
	F	3.4	3.7	4.0	3.8	3.6	4.2	3.9	3.9
30–34	M	3.6	4.2	4.0	3.6	4.5	4.6	4.0	4.2
	F	3.6	4.1	3.9	3.5	4.5	4.5	3.9	3.9
35–39	M	3.8	4.0	3.1	3.4	4.0	3.9	3.3	3.5
	F	3.7	3.9	3.0	3.3	4.0	3.9	3.3	3.4
40–44	M	3.1	3.2	3.0	3.2	3.5	2.5	2.8	2.8
	F	3.1	3.2	3.0	3.1	3.5	2.5	2.8	2.8
45–49	M	3.0	2.5	4.1	4.1	3.1	2.6	3.4	3.2
	F	3.1	2.7	4.0	3.9	3.4	2.7	3.5	3.3
50–54	M	3.4	2.6	3.2	3.1	3.0	2.6	3.2	3.2
	F	3.5	2.8	3.2	3.1	3.3	2.9	3.3	3.3
55–59	M	3.3	2.6	2.6	2.8	2.9	2.5	2.9	2.7
	F	3.4	2.9	3.1	3.0	3.4	2.9	3.1	3.0
60–64	M	2.9	2.4	1.7	2.2	2.7	2.0	2.2	1.9
	F	3.2	3.0	3.0	3.2	3.4	2.6	2.7	2.5
65–69	M	1.5	1.2	1.2	1.4	1.6	1.1	1.1	0.9
	F	1.8	1.6	2.2	2.4	2.3	1.6	1.5	1.3
70–74	M	1.7	1.5	1.2	1.4	1.5	1.0	1.4	1.1
	F	1.9	2.2	2.6	2.6	2.3	1.6	1.9	1.6
75–79	M	1.1	1.0	1.1	1.2	1.1	0.8	0.9	0.9
	F	1.4	1.7	2.4	2.4	1.9	1.4	1.3	1.1
80–84	M	0.5	0.4	0.6	0.6	0.5	3.8	0.4	0.4
	F	0.7	0.9	1.4	1.5	1.0	0.8	0.7	0.6
85+	M	0.2	0.1	0.2	0.3	0.2	0.1	0.2	0.1
	F	0.3	0.4	0.7	0.9	0.6	0.4	0.3	0.3

* Figures are percent of total population. Data for Albania are not available.

Source:
David A. Lanegran, after* 1987 Demographic Yearbook, *United Nations, 1989

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Focus on Eastern Europe

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THE SENIOR ECONOMIST

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REFORMING THE ECONOMIES OF EASTERN EUROPE

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EASTERN EUROPE'S ECONOMIES— WHAT IS TO BE DONE?

John Strudwick

JOHN STRUDWICK, who earned his Ph.D. in economics from the University of Toronto, has taught high school for 15 years. Currently, he teaches economics and comparative government at Phillips Academy in Andover, Massachusetts.

INTRODUCTION

It is important for all students of economics to understand the different economic systems of the world, particularly the comparison between command and market systems. Different economic systems promote different incentives. Understanding these incentives provides important information about the development of nations' economic systems and the role of government within them. In the following activity, students investigate concepts of ownership, markets, and incentives, through an analysis of a joint venture proposal in Hungary.

(*Capstone Connection:* The teaching activities that follow can be used as application lessons in Units 3, 4, and 7 of *Capstone: The Nation's High School Economics Course.*)

STUDENT GOALS

1. Students compare and contrast the roles of economic incentives and government intervention in command and market economic systems.
2. Students identify issues of government economic development policies for Eastern Europe as Eastern European countries transform from a communist to a capitalist economic system.
3. Students explore the role of the developed Western economies in aiding this transformation, with emphasis on trade and investment policies.

TEACHING ACTIVITY

I. Joint Venture — A Role Play Activity

Explain to the class that this activity introduces different perspectives concerning a proposal for a joint venture between companies in Western Europe and Hungary. The students examine the economic incentive structure and the potential roles of the respective governments.

Prepare students for the role play activity by asking them to read the essay by Jeffrey Sachs and David Lipton. Stress the point that economic incentives change when an economy makes the transition from a command to a market system. The class should discuss:

A. The Stalinist legacy of a centrally planned economy.

B. The difference between government and market economic directives.

C. The different concepts of ownership that exist in market and command systems.

Distribute Handout 1, which sets out the scenario for the role play activity. Before reviewing Handout 1, each student should also be given his or her role, provided in Handouts 2 to 8. Groups and roles are allocated according to the number of students in the class, with roles to be dropped or added according to the class size.

Review the major points in Handout 1 and relate them to the concepts covered in the essay by Jeffrey Sachs and David Lipton. In addition, explain that Hungary experimented with the option of decentralized market socialism beginning with its partial economic restructuring in 1968.

Allow the students time to think through their positions on the scenario and answer the two questions listed in Handout 1. Next, allow the role play activity to develop, providing guidance when necessary. Allow time at the end of the activity to discuss the results of the simulation and the reactions from the players. Be sure to summarize and clarify the answers to the second question in Handout 1 concerning the roles of the respective governments in this venture. The students should leave the activity with an understanding of the options available to Eastern European governments concerning privatization, trade liberalization, and joint ventures, and the options available to Western governments concerning investment, trade, and growth policies.

HANDOUT 1

A Joint Venture — Nagy's Clothing

Definition: A Joint Venture is an alliance between two or more corporations in order to complete a specific project. In our scenario, it relates the joint desires of Western manufacturing firms, seeking new markets in Eastern Europe, and a state-owned Hungarian firm, which seeks Western capital and managerial expertise, to enter into a partnership.

Scenario: Nagy's Clothing (NAGCLO) is a state-owned and operated firm located in the industrial area of Pest (the commercial part of the Hungarian capital, Budapest). The enterprise employs 2,500 workers in the production of a variety of domestic and military clothing items, including shirts, overalls, and pants. NAGCLO has performed adequately since its partial restructuring in 1969, when it underwent changes as a result of the 1968 New Economic Mechanism (NEM) introduced to enhance market socialism in Hungary. NEM upheld central planning but assigned a more active role to the market in labor relations. Profit-sharing bonuses were introduced, and explicit output targets were abolished, but the government planning board retained the power to set prices, manipulate tariffs and

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subsidies, and, most critically, to determine levels of investment. NAGCLO fit the general description of Hungarian enterprise as "central planning with a regulated market mechanism." The effect of NEM was a restricted move to a free-market system, with some of its accompanying incentives.

NAGCLO has had an uneven record, with its primary problem coming from the scarcity of investment funds available. With a central planner deciding the bulk of the investment decisions, NAGCLO was unable to continue its restructuring or branch out into new products as it wanted to do. It was saved more than once by the intervention of government subsidies to the industry. The workers and administrators of NAGCLO joined the calls for the creation of a free-capital market to aid NAGCLO's modernization and development, but fears of the distributional effects of free capital and labor markets squelched that development. Instead, NAGCLO looked abroad for investment sources, and talks began with two European clothing firms concerning a possible joint venture with NAGCLO.

In the present scenario, there are seven delegates to a conference called by the state-run firm. The delegates include: two workers, one representative from each of two foreign companies, two members of the state-run bureaucracy of NAGCLO, and one member of the national economic planning board.

Your task is to play your assigned role in a discussion about NAGCLO's future. The players should prepare a brief position paper setting out: (1) What they want for the future of NAGCLO, with a justifying economic rationale; and (2) What they want to ask for from their respective governments concerning economic policies to help them achieve success with their proposal for the future of NAGCLO. Discussion should progress from the presentation of each delegate's position paper, with the aim being to reach some form of consensus.

HANDOUT 2

Arpad Hari — National Planning Board

As one of the younger and more energetic members of the Board, you are in favor of a joint venture, particularly if it provides immediate access to needed capital investment and stimulates a quick change in the managerial and production techniques of NAGCLO. You also support a liberalization of Hungary's trade policies in order to reduce the Hungarian trade deficit, and you are a big supporter of Jeffrey Sachs and what he is promoting in Poland. Even though the current price mechanism in Hungary makes it difficult to place a value on NAGCLO accurately, you would be willing to take the risk of selling 49% to a foreign company so that your goals of economic growth could be achieved.

HANDOUT 3

Zoltan Horvath — NAGCLO Bureaucrat

As a lifelong member of the Hungarian Communist party and a bureaucrat at NAGCLO for the past 30 years, you are reluctant to see any change in the current system. In fact, if you had your way there would be a return to the Stalinist statist model of socialism, where the whole economy was administered as if it were one giant firm. You like the direct forms of economic management that such a system provides, with its built-in job security. You are opposed to any involvement with the capitalist West and any liberalization of government policies.

HANDOUT 4

Edith Nemeth — NAGCLO Bureaucrat

As a recently appointed middle-manager at NAGCLO, you are in favor of ongoing improvements in the production methods of the firm, but you are worried about the implications of a joint venture for the managerial structure. It has taken you a long time to overcome the gender prejudice of upper management and to gain your promotion, and you do not wish to lose that position now. You are not opposed to foreign investment that improves the production line or to policies that liberalize trade so that the Hungarian market becomes more accessible. In fact, you have some design and marketing ideas for NAGCLO's products that have been blocked in the past and which you now would like to present to Western producers.

HANDOUT 5

Janos Toth — Worker at NAGCLO

As a fervent believer in market socialism and the rights of the worker to property ownership, you are in favor of NAGCLO moving in the direction of worker ownership rather than a joint venture. You believe that if shares are turned over to the workers, or held in trust, then a system of worker self-management could achieve all of the productivity gains being projected by the foreign companies. You believe that such a scheme will promote the necessary incentives to workers to ensure efficiency, and also that it will promote equity and prevent the loss of Hungarian assets to foreigners. You want the government to subsidize the necessary capital investment.

HANDOUT 6

Anna Szilva — Worker at NAGCLO

As a long-time critic of management at NAGCLO, you are in favor of a joint venture with a foreign company. You recognize both the production and managerial problems in NAGCLO, and, although you are concerned about the possible changes that the transition to partial foreign ownership would entail, you think that it is worth the risk. You feel that a joint venture not only would promote improvements in managerial and production methods but also would increase access to foreign markets. You have little faith in the workers who are calling for worker self-management, describing them as opportunists who wish to exclude others from the process of privatization.

HANDOUT 7

Karl Mueller — Executive of Mueller, Inc.

As the owner and chief executive of a major German-based European clothing company, you want to gain access to the expanding markets of Eastern Europe and circumvent possible trade barriers such as tariffs and quotas imposed by those nations' governments. You have the backing of a large German bank to invest large amounts of capital into plant renewal if you succeed in acquiring NAGCLO, and you have plans to restructure its managerial and marketing strategies. Your aim is to use your knowledge of design and production methods and your already successful European advertising campaign to capture the potential economies of scale inherent in this venture.

HANDOUT 8

Alberto Saladini — Executive of Guido

As an executive of the Italian clothing firm Guido, you are hoping to obtain the partnership with NAGCLO for either a quick financial gain or a relatively easy and risk-free means to increase sales. You have no plans to change either the production methods or the managerial system at NAGCLO due to the high costs and risks involved; you simply want to obtain a license to produce in Hungary and therefore gain access to the local consumer and labor markets. You would not be opposed to an immediate resale of your share in NAGCLO if a quick profit could be made.

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Teaching Activities:
International Economy

AN ANALYSIS OF POLAND

Karen R. Owens and Cheryl Jennings

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For Poland, the transition from a centrally planned economy to a market economy entails many changes and challenges. While the labor force is extremely literate, workers lack the training and experience necessary to serve as effective change agents. How does one encourage people to accept an increase in unemployment and a short-term decline in wages while pursuing a more productive economy?

(*Capstone Connection*: The teaching activities that follow can be used as application lessons in Unit 7 of *Capstone: The Nation's High School Economics Course.*)

STUDENT GOALS:

1. Students recognize the geographic significance of Poland and identify characteristics of its economy.
2. Students identify and examine the costs and benefits of changing from a centrally planned economy to a market-oriented economy.

I. Where in the World is Poland?

Explain that the purpose of this lesson is to review Poland's location and to develop an understanding of similarities and differences between Poland and the United States.

Explain to the class that few Americans know much about the Polish economy. Distribute Handout 1 to the class. Direct the students' attention to the location of Poland in Eastern Europe. Explain that Poland's location on the Baltic Sea leads to many opportunities for waterway transportation. Its location in Europe is advantageous for trade. Point out the newly unified Germany on the west and Czechoslovakia to the south. Poland shares a border with the Soviet Union to the east and southeast. Poland's topography is mostly lowlands which contribute to northern agriculture. The only geographic obstacle for Poland is probably the Carpathian Mountains along the southern border — a favorite tourist attraction for Poles. Poland's natural resources include coal, sulfur, copper, and natural gas. Poland (120,727 sq. miles) is approximately the size of the state of New Mexico.

Ask the students to examine the information at the bottom of Handout 1. Ask: What similarities are there between Poland and the United States? (Both countries have well educated populations.)

What are the differences? (Poland's economy is much smaller than that of the U.S. Poland's economy is dominated by agriculture and heavy industry. The U.S. economy is oriented toward production of services.)

HANDOUT 1

Map and Data Sheet

Data	Poland	United States
Literacy	98%	96%
GNP per Capita (U.S. $)	2,070	18,530
Scientists/Technicians (per 1000)	168	55
Rural Pop. (% of total)	38%	26%
Doctors (per 1000)	0.5	0.5
Radios (per 1000)	289	2,119
Televisions (per 1000)	263	811
Labor/Agriculture (% of pop.)	28.5%	3.0%
Labor/Industry (% of pop.)	38.9%	19.0%
Labor/Services (% of pop.)	32.6%	78.0%
Population (est. 1989)	38,389,000	274,498,000

II. Why Are There Lines in Poland?

Explain to the class that many people in Eastern Europe and the Soviet Union spend hours waiting in lines to buy simple, commonplace goods like meat, milk, bread, and shoes. It takes visits to many stores, long waits in lines, and good fortune to find what is wanted. Yet, these countries have well-educated populations and abundant natural resources. Why, then, are there lines in Poland?

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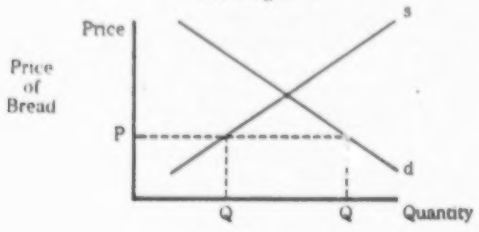
Teaching Activities: Transition to a Market Economy

Many students will say there are lines in Eastern Europe and the Soviet Union because of inefficient distribution systems. While it is true that these nations have a poor transportation system, tell the class that there is a more fundamental explanation. Explain that command systems often set prices below the market price. This is especially true for items which are thought of as being essential for consumers (e.g., bread) or vital for economic development (e.g., energy).

Stress how prices work as incentives. They provide consumers and producers with a set of signals to which they will respond. When prices are fixed at a level which is below the market price, consumers are encouraged to purchase more goods than would otherwise be the case — store shelves empty quickly and lines form almost overnight. Meanwhile, producers observe that the price is below the market price. They are discouraged from producing, thus aggravating the problem further. Illustrate this idea with Diagram 1 which shows a price ceiling.

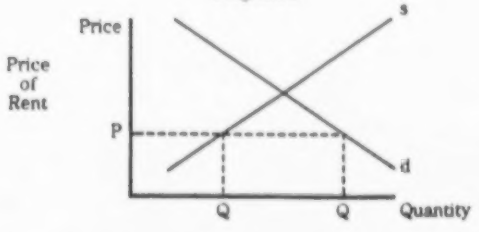
For Diagram 1



Explain that the lines in stores in the Soviet Union and Eastern Europe are devices for rationing goods. All economies decide how to ration goods. In market economies, we tend to rely on prices for rationing. However, there are many instances when people in Western economies use other devices to ration.

Place Diagram 2 on rent controls in an American city on the chalkboard. Discuss how shortages are created when the price for rent is set below the market price.

Diagram 2



As the students examine Diagram 2, ask: What incentives do price controls on housing present to people in rent controlled apartments? (They are encouraged to never give up their apartments. This rewards people who had the good fortune of having an apartment in the first place.)

What incentives do price controls on housing present to producers of apartments? (They are discouraged from producing. They are encouraged to invest in other housing projects outside the city. Housing shortages develop.)

Ask the class to identify other cases where non-price systems are used for rationing. For example, we do not allow a market for human organs to be used in transplants. In 1990, 2,206 people died awaiting an organ transplant. These people might have been saved if there had been a sufficient supply of organs. How could a market for organs encourage more organs to become available?

(Capstone Connection: A complete lesson on rationing kidney transplants appears in Unit 2, Lesson 10 of *Capstone: The Nation's High School Economics Course.)*

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